
Information
Handbook

Your
Seattle Employees'
Retirement Plan

Your Retirement System

In 1929 the City of Seattle adopted an ordinance which set up the Employees' Retirement System plan which provides employees with a retirement income and a greater measure of security for later years. The money which you will receive from the Retirement System will be in addition to your Social Security benefits.

Because the plan is necessarily long and quite complicated, this booklet has been prepared to help you more easily understand your benefits. Principal provisions of the plan are explained here, but all details are not covered. Copies of the Retirement System Ordinance, which governs all statements made in this booklet, can be obtained from the City Clerks Office.

Administration

A seven member Board has the responsibility of administering the plan. The members are the Chair of the Finance Committee of the City Council; the ESD Finance Director; the ESD Personnel Director; three employee members (one of whom may be retired) elected by both active and retired members; and one member (not employed by the City), who is appointed by the other six Board members.

The Retirement System staff is under the direction of the Executive Director, who in turn reports to the Retirement Board. The office staff is ready to explain your benefits or answer any questions you may have.

Office Location

The Retirement System office is on the third floor of the Seattle Metropolitan Credit Union Building, Suite 300, located at 801 Third Avenue. The telephone number is 386-1292.

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Who Is Eligible For Membership?

Upon employment with the City of Seattle, you automatically become a member of the Retirement System. Those who work in temporary or intermittent positions or have jobs that are classified as exempt, have the choice of electing or declining membership in the Retirement System. Uniformed personnel in the Fire and Police Departments and most METRO and King County employees are not covered by City Retirement as they have their own retirement plans.

Who Pays For It?

As employees of the City of Seattle, you contribute 8.03% of your salary to your retirement fund. The rate for those who became members before June of 1972 is sometimes lower.

As your employer, the City of Seattle voluntarily contributes to the Retirement Fund as well. The rate for the City is also 8.03%. The City's funds are never commingled with those of the employees. If you leave City employment and withdraw your contributions, you will not be entitled to any of the City's contributions.

Earnings from invested contributions are also a part of the Retirement Fund.

Early each year a statement of total contributions and interest as of December 31, of the previous year, is distributed to all employees.

Eligibility For Service Retirement

Active City employees are eligible for retirement after accumulating:

- 5 years of service - and are 62 years of age;
- 10 years of service - and are 57 years of age;
- 20 years of service - and are 52 years of age;
- 30 years of service - you may be any age.

Retirement Service Credit

Retirement service credit is allowed only for time for which the member and the City made contributions to the Retirement System, except for the first six months of service.

Anyone whose hire date is prior to January 1988 will receive credit for their initial six months of service when they retire, even though no contributions were made for those months. Anyone who was hired from January 1988 through December 1998, will receive service credit only for the time they were making contributions to the Retirement System; their first six months will not count toward retirement. After 1998, membership will begin upon employment with no waiting period, so all employment will count toward retirement.

Definition of Average Salary

The term *Average Salary*, used in the benefit formulas of our plan, means your *highest* 24 consecutive months' average rate of pay, regardless when that rate was earned. 174 hours constitute one month of employment. Only 2088 hours of employment in any one year period will be counted for retirement service credit, or used in calculating final average salary. Overtime or premium pay is not included in the *Average Salary*.

Service Retirement Benefit

To aid you in calculating your *Average Unmodified Monthly Allowance*, a simplified chart is appended at the end of this booklet. For the actual calculation, just follow this example:

Example: If your *Average Salary* is \$2,000 per month and you have 25 years of creditable service, the chart shows that at age 58 your factor is .50. Thus, you would multiply your *Average Salary* by .50, and your monthly benefit would be \$1,000 per month.

$$\$2,000 \times .50 = \$1,000 \text{ per month.}$$

Retirement Options

The maximum allowance you can receive is the *Unmodified Plan*. Under the terms of this plan no provision is made for a beneficiary; at the time of your death all payments stop.

Options A through E provide for a beneficiary by modification of the amount of your monthly allowance; the capital value remains the same.

- Option A** Provides that at your death your beneficiary will receive a lump sum refund of the difference between your total accumulated contributions and interest at the time of retirement and the annuity payments you have received since retirement.
- Option B** Provides that at your death your beneficiary will continue to receive annuity payments until the total of them equals your total contributions and interest at the time of retirement.
- Option C** Provides for the payment of a retirement allowance for a guaranteed period of years from the day of your retirement. As with all of our retirement plans, payments are guaranteed to the retiree for life, even if the retiree lives beyond the guaranteed period chosen for this option.
- Option D** Provides a modified monthly allowance for life and after your death, your spouse or domestic partner will receive one-half of this amount each month for life. If you retired on or after March 24, 1997 and your spouse or domestic partner predeceases you, your monthly allowance will be raised to the original unmodified amount. This option provides no further benefit to another beneficiary after the death of your spouse or domestic partner. Only the spouse or domestic partner signified at the time of retirement is eligible for benefits under this option.
- Option E** Provides a modified monthly allowance for life and, after your death, your spouse will receive the same monthly allowance for life. If you retired on or after March 24, 1997 and your spouse or domestic partner predeceases you, your monthly allowance will be raised to the original unmodified amount. This option provides no further benefit to another beneficiary after the death of your spouse or domestic partner. Only the spouse or domestic partner signified at the time of retirement is eligible for benefits under this option.
- Option F** This option allows a member who retires prior to the normal Social Security Age to receive retirement benefits that are modified so that the combined income from the Retirement System and Social Security is level throughout the member's lifetime. This means the System's payments are higher before the Social Security payments begin and then lower after they begin. Although the theory is that the member's income stream will be level, often it is not. This is because Social Security, and often the System as well, makes post retirement adjustments that upset the original "leveling out" feature of this option.
- Option G** This option allows members a lump sum payment at retirement which is equivalent to either the member's accumulated contributions with interest, or one-half of this amount. The member's normal monthly pension will be reduced by an amount to actuarially compensate for the funds withdrawn.

Disability Benefits

You may qualify for a disability retirement if you meet one of the following conditions:

- 1.) If, due to illness, you are unable to work, and have at least ten (10) years of retirement service credit with the City of Seattle. Of those ten (10) years, a minimum of five (5) years of retirement service credit must have been earned during the ten (10) years prior to becoming disabled.
- 2.) If, due to an on-the-job injury, you are permanently and totally disabled, you may retire under disability regardless of length of service with the City, as long as you are a member of the Retirement System.

You may be examined by one or more physicians or surgeons appointed by the Retirement Board. If the medical examination shows to the satisfaction of the Board that you are totally incapacitated, either physically or mentally, for the performance of duty, you will be granted disability retirement.

Disability Retirement Benefit

Under the terms of this benefit, you will receive 1.5% of your *Average Salary* multiplied by the number of years of retirement service credit you have earned.

If this calculation does not exceed one-third of your *Average Salary*, then you will receive an additional 1.5% of your *Average Salary* for each year between your age at retirement and age 62, until your disability retirement benefit equals one-third of your *Average Salary*.

This benefit provides a minimum retirement amount of \$140.00 per month.

If subsequent to receiving a disability retirement benefit you are able to return to work part-time you may continue to receive your disability allowance, provided the total of your disability payment and your earnings do not exceed the salary *currently* payable by the City for your last job classification. If this should occur, your retirement allowance would be reduced proportionally to the excess earnings.

If a disability retiree returns to work full-time, the Board has the right to discontinue the disability retirement benefit.

Death - After Disability Retirement

If a disability retiree dies and has named a surviving spouse or domestic partner as beneficiary, the spouse or domestic partner is eligible to receive a settlement similar to that shown for the spouse or domestic partner of a member who dies before retirement.

(See section entitled “Death Prior to Retirement” on page 7.)

Termination Of Employment

The following are your choices if, for whatever reason, your employment with the City is terminated .
(For purposes of payout, leaves of absence of any sort are not considered to be termination of employment.)

You are eligible to withdraw your contributions from the Retirement System. You need to obtain a withdrawal form from this office. This form will allow you to either have your funds paid directly to you or to have them transferred to an Individual Retirement Account (IRA).

(You may also have the option to vest your funds. See the section about "Vesting" on page 6.)

You will not be subject to taxes or penalties at the time of withdrawal, if your funds are transferred directly to an IRA.

If you choose to withdraw your funds, Federal Law requires that 20% of the taxable portion of your retirement funds will be withheld for tax purposes. (All contributions since 1985 and all accrued interest are taxable; contributions made before 1985 have already been taxed and will be returned to you without tax.) Whether this 20% covers or exceeds your Federal tax liability is entirely dependent upon your income for the year in which you are paid the funds. Further, a 10% penalty may be assessed against **all** taxable funds removed from the Retirement System that are not rolled into an IRA. Also by Federal Law, there is a 30 day period from the time the withdrawal application is made to change your mind. This period will allow you time to reflect on the decision to remove your funds.

Special Withdrawal Due To Terminal Illness

Under a new regulation set in place by the Board of Administration, it is now possible to make an early withdrawal of your retirement contributions if you have a terminal illness. The illness must be severe enough to likely terminate your life within a period of two years, as attested to by your physician. A second opinion may be requested by the Board.

Withdrawal under this provision does not exempt the employee from any Federal taxes or penalties attached to an early withdrawal of funds from a retirement system. Further, the withdrawal of funds severs all connection with the Retirement System. The member also forfeits all current and future rights to retirement, disability and death benefits, including those of a spouse or domestic partner, if any.

Vesting

If you have a minimum of five (5) full-time years of membership in the Retirement System, you may vest your funds when you leave City service. Vesting means that you leave your funds with the Retirement System until you reach an age at which you become eligible for retirement (see page 1 for retirement eligibility information). Upon separation from City employment, you need to obtain a vesting form from this office.

The choice to vest is not irrevocable. You have the right to remove your funds from the Retirement System at any time up to the day of your retirement. In removing your funds, however, you lose all future rights from this department and your funds will be subject to any and all applicable Federal laws.

If you do vest your funds, you will lose all sick leave credit and will not be allowed to participate in the Death Benefit Program. Vesting members are not eligible to receive medical and dental insurance coverage through the Retirement System. All other conditions remain the same as if you were retiring from active service.

Vested funds will continue to accrue interest at the rate of 5.75% per annum.

Redeposit Of Withdrawn Contributions

If you return to work for the City you have the right to redeposit the contributions you withdrew from the System when you left, plus interest. Interest is computed at the actuarial investment return assumption rate in effect at the time of redeposit.

Redeposits may be made in a lump sum or you may arrange for deductions from your bi-weekly checks. You will not be allowed to redeposit withdrawn contributions if you have not made arrangements with the Retirement Office within 30 days of re-entry to City service. If you choose to repay over time, interest will be assessed against the declining balance during the repayment period. Rules and procedures governing redeposits are established by the Retirement Board.

When you have finished repaying your withdrawn contributions, you will be credited with your previous membership time. Your retirement benefit is based on the total years of membership. The more years of service credit you have, the greater your retirement benefit will be. Therefore, it may be to your benefit to redeposit your withdrawn contributions.

Retirement Portability

If you have ever worked for the City of Tacoma or Spokane or worked for an organization that was covered by a Washington State Retirement System (PERS, TRS, etc.), or if you plan to do so at any time in the future, you may be eligible for portability benefits. Benefits under portability include combining time worked under both retirement systems *to qualify* for retirement, as well as to determine the percentage of salary factors used by each respective system. Once qualified, both systems will calculate your retirement separately, using your highest average salary, regardless of which system it was earned in.

If you have previous work time with the State of Washington or any agency covered by a Washington State Retirement System, and wish to redeposit your funds, you may contact this office at 386-1292 for additional information. Or you may call the State Department of Retirement Systems, Restore Unit, (360)753-3113.

Death Prior To Retirement

If you should die before retiring, your accumulated contributions and interest on deposit in the Retirement System may be handled in one of the following ways:

- 1.) A lump sum refund of all contributions and interest will be made to either your named beneficiary or estate.
- 2.) If, at the time of your death, you had ten (10) years of retirement service credit, your spouse or domestic partner may elect to receive (1) above or one of the following:
 - A.) A retirement equal to what you would have received under the provisions of Option E had you retired on the day of your death.
 - B.) A cash payment, not to exceed of one half of your total contributions and interest, and an Option E retirement, but one that is proportionately reduced by the amount of the cash withdrawal.

Both of these options are valid only for the life of the spouse or domestic partner. If there is no surviving spouse or domestic partner, minor children may elect to receive a similar benefit until they reach the age of 18.

Post Retirement Cost of Living Increases - For Members Who Retired Prior to January 1, 1998

Each December your monthly retirement allowance will be increased to reflect an annual bonus. This addition to your retirement is to help offset the adverse effects of inflation. The bonus payment will be calculated as a percentage factor of the number of years you have been retired multiplied by your original annual retirement allowance. The percentage factors are designed to more equitably benefit those members who have been retired the longest, as follows:

- | | |
|-----|--|
| 1% | of the original annual retirement allowance for members who retired in the current and immediately preceeding year. |
| 3% | of the original annual retirement allowance for members who have been retired from two to five years, inclusive. |
| 6% | of the original annual retirement allowance for members who have been retired from six to nine years, inclusive. |
| 9% | of the original annual retirement allowance for members who have been retired from ten to thirteen years, inclusive. |
| 12% | of the original annual retirement allowance for members who have been retired from fourteen to eighteen years, inclusive. |
| 15% | of the original annual retirement allowance for members who have been retired from nineteen to twenty-three years, inclusive. |
| 18% | of the original annual retirement allowance for members who have been retired from twenty-four to twenty-eight years, inclusive. |
| 21% | of the original annual retirement allowance for members who have been retired twenty-nine years or more. |

If this bonus plus the total retirement allowance you have received during the year will not purchase 60% of what your original retirement allowance would purchase, the bonus will be increased so you receive 60% of the original purchasing power of your pension. This increased portion of your bonus will be paid throughout the year by increasing your monthly check.

Post Retirement Cost of Living Increases - For Members Who Retired After December 31, 1997

Each December the monthly retirement allowance will increased to provide the highest benefit calculated under any one of the following three cost of living adjustments:

1. The annual bonus described above.
2. A 1.5% annual compounding COLA
3. A COLA which would provide 60% of the purchasing power which the members original retirement allowance could purchase.

Exempt Employees

Upon employment an employee in an exempt position has the choice of membership in the Retirement System. If the choice is “Yes” it is irrevocable and the member may not reverse the decision in the future. Membership is permanent.

If the employee’s choice is “No,” this is not irrevocable. An exempt employee may still become a Retirement System member at any time. However, the employee will not have the option of purchasing time previously worked. Retirement service credit begins to accrue only when the employee becomes a member and retirement contributions begin.

Temporary and Intermittent Employees

Upon employment these employees will be offered an opportunity to join the Retirement System, the employee will have a second opportunity when they reach 1044 hours of employment, which equals six full-time months of employment. If the employee chooses not to join, a third opportunity to join will arise when the employee reaches 10,440 hours, which equals five years of employment. At that time, the employee could also purchase previous time.

These employees also have the opportunity to become members (and purchase back time) when they are hired into a permanent position, provided this occurs before they have worked a total of 10,440 hours.

Voluntary Retirement

Your application for voluntary retirement must be filed with the Retirement Board at least thirty (30) days prior to the date you wish to retire. An estimate of the benefits you are eligible to receive is available from the Retirement Office upon request. Estimates usually take about 3 weeks to process.

Change Of Beneficiary

While it is not mandatory, each employee should consider designating a beneficiary. If you wish to change your beneficiary, you may obtain a change of beneficiary form from this office or from your departmental personnel office. Reasons for changing a beneficiary may include: death of previous beneficiary, marriage, divorce, change in family status, etc.

Retirement Checks

There are two methods for delivery of your retirement allowance. One is through the mail, the other is an electronic deposit directly into your bank account. Upon retirement, the retiree may choose whichever method seems most appropriate. Retirement checks are mailed on the last day of every month, with delivery expected on the first of the next month. Electronic deposits are posted to your account on the first of every month.

Post-Retirement Medical and Dental Coverage

When you retire you may continue your medical coverage through the City Retirement System. During your first 18 months of retirement you are eligible for coverage under COBRA, a Federally mandated medical program open to anyone leaving City service who is under age 65. At the end of 18 months you may automatically switch to the medical program available through this office, or you may choose to find your own medical coverage. Dental coverage is also available under COBRA or you may elect at the time of retirement to receive coverage through a plan that is offered to City retirees.

Medical coverage is available at a group rate for retirees under age 65, and a Medicare supplement is available to retirees age 65 and over. However, not every medical provider offers a Medicare supplement at a group rate, please contact our office for more information.

Domestic Partner Benefits

An unmarried member may designate his or her domestic partner as his or her beneficiary for retirement benefits. The member shall file an affidavit of domestic partnership with the Retirement Office. If a member who has filed an affidavit of domestic partnership becomes married, the affidavit shall be considered void.

Any changes in the domestic partnership must be communicated in writing to the Retirement Office.

Please contact our office for more information.

Payout of Sick Leave

When you retire you will be eligible for a payout of your sick leave credit. The City's policy is to grant you 25% of your total accumulated sick leave hours multiplied by your current rate of pay. This money may be taken in cash or applied as payments to your medical coverage premiums, however these funds will be taxed at the time of retirement.

Vested members lose their sick leave credit and are not eligible for a payout.

Income Tax On Your Retirement Allowance

Before you retire, this office will provide you with your cost factor and the amount of your monthly allowance which is taxable and non-taxable. This information is provided for your convenience. It is quite important, so please keep it as part of your tax records.

Also, each year you will receive a copy of the Internal Revenue 1099-R form upon which we have reported the gross total of your retirement income for the year. The taxable and non-taxable portions of your pension are not determined on this form. (See previous paragraph.)

If you wish, the Retirement Office will automatically withhold taxes from your monthly retirement check and deposit them with the Internal Revenue Service. However, we need written permission from you to do this. Please contact our office for the appropriate form.

Death Benefit Program

Active employees are automatic members of the Death Benefit Program. Retirees may choose whether or not to retain this policy. The intended purpose of the policy is to be an adjunct to your burial insurance. The benefit is \$2,000 and payable only to the beneficiary. The premium is \$12.00 per year, deducted in February. This policy has no cash value for the retiree.

Unpaid Leave

Any unpaid leave during your career is not counted towards retirement credit. If you have any unpaid time due to a medical leave of absence, you may be able to purchase this time. Please contact the Retirement Office if you have any questions regarding unpaid leave.

(Blank)

Percentage of Average Salary

**Years of
Retirement
Credit**

**Years of
Retirement
Credit**

Age

	Any	52	53	54	55	56	57	58	59	60	61	62	63	64	65	
30	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	30
29		58	58	58	58	58	58	58	58	58	58	58	58	58	58	29
28		56	56	56	56	56	56	56	56	56	56	56	56	56	56	28
27		51.3	54	54	54	54	54	54	54	54	54	54	54	54	54	27
26		46.8	49.4	52	52	52	52	52	52	52	52	52	52	52	52	26
25		42.5	45	47.5	50	50	50	50	50	50	50	50	50	50	50	25
24		38.4	40.8	43.2	45.6	48	48	48	48	48	48	48	48	48	48	24
23		34.5	36.8	39.1	41.4	43.7	46	46	46	46	46	46	46	46	46	23
22		30.8	33	35.2	37.4	39.6	41.8	44	44	44	44	44	44	44	44	22
21		27.3	29.4	31.5	33.6	35.7	37.8	39.9	42	42	42	42	42	42	42	21
20		24	26	28	30	32	34	36	38	40	40	40	40	40	40	20
19							28.88	30.02	31.16	32.3	33.44	34.58	35.72	36.86	38	19
18							27.36	28.44	29.52	30.6	31.68	32.76	33.84	34.92	36	18
17							25.84	26.86	27.88	28.9	29.92	30.94	31.96	32.98	34	17
16							24.32	25.28	26.24	27.2	28.16	29.12	30.08	31.04	32	16
15							22.8	23.7	24.6	25.5	26.4	27.3	28.2	29.1	30	15
14							21.28	22.12	22.96	23.8	24.64	25.48	26.32	27.16	28	14
13							19.76	20.54	21.32	22.1	22.88	23.66	24.44	25.22	26	13
12							18.24	18.96	19.68	20.4	21.12	21.84	22.56	23.28	24	12
11							16.72	17.38	18.04	18.7	19.36	20.02	20.68	21.34	22	11
10							15.2	15.8	16.4	17	17.6	18.2	18.8	19.4	20	10
9												16.38	16.92	17.46	18	9
8												14.56	15.04	15.52	16	8
7												12.74	13.16	13.58	14	7
6												10.92	11.28	11.64	12	6
5												9.1	9.4	9.7	10	5

Not Eligible to Retire

2% line

Identify percentage factor above that applies to your age and years of service.

Percentages increase with each day of service.
 Maximum percentage factor = 60% with 30 years of retirement credit.
 Average Salary = Average of Highest Consecutive 24 months.

If Expected retirement date is 2 years or more from now, use todays salary as estimated Final Average Salary.

Eligibility for Retirement
5 to 9 years of service - and are age 62 or older
10 to 19 years of service - and are age 57 or older
20 to 29 years of service - and are age 52 or older
30 years of service - any age

$$\frac{\text{Final Average Salary}}{\text{Final Average Salary}} \times \frac{\text{percentage factor from table based on age and years of credit}}{\text{percentage factor from table based on age and years of credit}} = \frac{\text{Estimated Pension Amount}}{\text{Estimated Pension Amount}}$$

Example: 22 years of credit, age 56, and final average salary is \$2,500

$$\frac{\$ 2,500}{\text{Final Average Salary}} \times \frac{39.6 \%}{\text{percentage factor from table based on age and years of credit}} = \frac{\$ 990}{\text{Estimated Pension Amount}}$$

This form is only intended to provide a general profile of how an estimated pension amount is calculated.

Any unpaid leave during your career is not counted towards retirement credit.
 (see "Unpaid Leave" on page 11.)

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